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Joint Economic Committee Minority

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The Growing Gap Between the Rich and Poor in the Fifty States

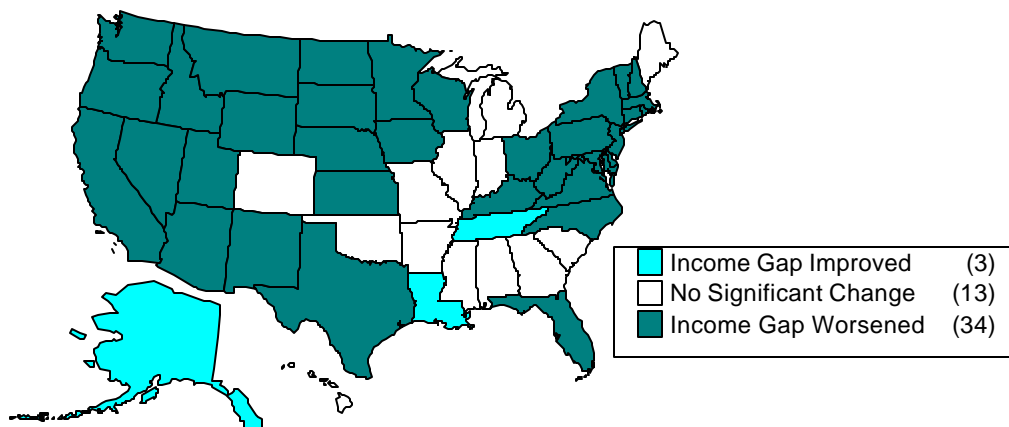
Dear Colleague:

Last week, I wrote to you about a recent study detailing the widening income gap between the rich and poor during the past two decades. In January, another study was released revealing that this troubling trend is not isolated to certain regions, but rather is afflicting almost every single state in the country.

Pulling Apart: A State by State Analysis of Income Trends was written by two of the nation's leading non-profit think tanks, the Center on Budget and Policy Priorities and the Economic Policy Institute. The authors' examination of income trends over the last 20 years reveals that despite some improvements since the mid-1990s, the income gap in almost every state is currently worse than it was in the 1970s. Specifically:

- Over the last decade, the gap between the richest 20 percent and the poorest 20 percent of Americans increased in 34 states, and declined in only three states –

Changes in the Income Gap* by State from 1988-90 to 1996-98



* The income gap is defined as the difference between the average income of the poorest 20 percent and the richest 20 percent of families.

Source: Economic Policy Institute/Center on Budget and Policy Priorities's analysis of data from the Census Bureau.

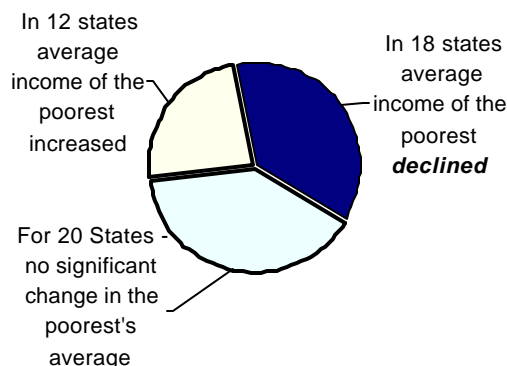
Alaska, Louisiana, and Tennessee.

- The income gap can widen either because incomes of the poor and rich are moving in opposite directions, or because the income of the richest group is growing at a faster rate than that of the poorest group. Between the late 1970s and the late 1990s, the real income of the poorest 20 percent of families

declined in 18 states. In 6 of those states, the decline was over \$2,000 per family (in 1997 dollars).

- By the late 1990s, the richest 20 percent of families in every state had a larger share of the state's total income than was the case in the late 1970s. In 47 states, the share of total income held by the poorest 20 percent of families **declined** by the late 1990s.
- The richest 20 percent of families had more than 9 ½ times as much income as the poorest 20 percent in 24 states. In the late 1970s, not a single state had such a high "top-to-bottom" ratio.
- The gap between the average income of all middle-income families and the top 20 percent grew in 45 of the 50 states from the late 1970s to the late 1990s.

Change in Income of the Poorest 20 Percent of Families 1978-80 to 1996-98



I suggest you take a moment to look at your state's 'fact sheet' and see how it compares to the rest of the country. You can obtain a copy of the full study on the web at <http://www.cbpp.org/1-18-00sfp.htm> and examine your state's 'fact sheet' at <http://www.cbpp.org/1-18-00sfp-states.htm>. Alternatively, you can call the Center at 408-1080 or EPI at 775-8810.

Sincerely,

Pete Stark, MC
Ranking Member